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A BILLBOARD PUBLICATION

Merchandising

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

Guide to Products, Services & Suppliers

DIRECTORY

1984

Also in this issue:

- Ninth annual survey tracks 1983's turnaround in major appliances
- Video software dealers find computerization crucial to success
- Stainless steel shines as cookware volume continues to climb
- Danger: You could be stocking too much computer software

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Merchandising

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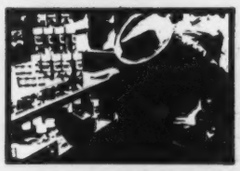

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NINTH ANNUAL '83 MAJOR APPLIANCE STATISTICAL and MARKETING REPORT

Consumers are drawn to featured, high-value appliances as economy rebounds, builder's and replacement markets soar

This year will probably go down as the year of the Great Recovery. In just about a complete reversal of last year's major appliance shipment figures—in which every category, even microwave ovens, reflected a decrease—practically every single appliance area will realize healthy gains this year, the exceptions being room air conditioners (expected to be down 16.2 percent) and freezers (-5.5 percent).

But on the plus side, the results are most optimistic. For example, shipments are expected to be up in electric ranges, 26.3 percent; microwave ovens, 32.6 percent; dishwashers, 23.9 percent, and dryers, 18.6 percent.

Why the sudden upturn? Ultimately, it all comes down to the bounce back of the economy and the lowering of interest and mortgage rates. After several sluggish seasons, the builder's market finally saw significant activity in new housing starts which should reach a level of almost 1.7 million units by the year's end. Going into each new home is a dishwasher, range and refrigerator. It's also been said that each move generates five others, promoting a lot of additional appliance sales.

What's more, because appliances are typically the last items to go into a new dwelling, those homes begun in the second half of this year won't be ready for appliances until next year, bodes well for increased appliance needs right up through the second quarter of 1984.

Replacement purchases boom

Another significant portion of sales is being generated by the replacement market this year. Those in the industry point to the strong appliance activity of the late '60s and early '70s. Based on average appliance lifespans of 12 to 15 years, that means a lot of appliances are now ready for replacement.

This year, we saw the release of a lot of that pent-up demand. One industry supplier put this potential in perspective when he made reference to the millions of refrigerators, washers, dryers, ranges and dishwashers sold during the boom years of the 1960s and early '70s.

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Other suppliers voiced similar thoughts. One mentioned that a survey by his firm showed that 33 percent of the ranges in today's homes are over 10 years old and bound to break soon. Another vendor reported that an estimated 30 percent of the nation's refrigerators are more than 10 years old—and that 25 million of them are teetering on the verge of collapse!

Well, a lot of appliances have been collapsing. A hot summer in many parts of the country overworked refrigerator compressors, boosting volume in this category. But generally, it was really that there was a lot more disposable income around for customers to replace not only refrigerators but the ranges, washers, dryers and dishwashers that they had held on to for as long as possible.

And now that they have returned to the market, the key words are quality and value. While medium-priced goods still are selling in tonnage, a lot of buyers are trading up in all product categories. The self-clean feature in ranges is constantly gaining market share. The more expensive high/low units with a microwave on the top are also moving briskly this year in retail operations.

Laundry products tend to be strictly dependent on replacement sales since washers and dryers are usually offered as an option to the new home buyer, not as part of the builder's package. But shipments here are on the increase, too—an expected 11.6 percent for washers; 18.6 percent for dryers.

There was a lot of talk about downsizing in the appliance market last year but we are seeing few indications of it in 1983. In fact, it is the larger and more expensive refrigerators that have been showing a growth trend. The side-by-side market and units 22 cu. ft. and over are what a lot of consumers have been purchasing in this trade-up cycle.

High-end features are also gaining strength. More of the refrigerator/freezers being purchased sport automatic ice makers and through the door ice and/or water.

Those consumers who have gotten used to a dishwasher are making sure they replace it when their unit breaks down. And here, too, trade ups are evident. More units with energy-saving cycles are being shipped as consumers demand features like hot water boosters, air dry and programmable cycles.

What comes next?

While most product categories have rebounded and there has been more emphasis on high-end features and conveniences, what can we expect for the coming seasons?

Electronic controls—the only really new innovation to be found on today's appliances—have generated minimal interest to date. Suppliers and retailers both say that the controls will have to provide more than just pushbutton convenience before the consumer will pay premium price for them. Greater diagnostic capability, less need for service, etc. will be necessary before many take this technology seriously on the appliances we know today.

Induction technology is another area stymied by price. A couple of years ago it looked as if there would be a major effort put forth by many suppliers to get induction on track. Today, most have placed this cooking mode on the back burner until the "price/value ratio is considerably improved."

But aside from the possibility of induction coming on-line in more mainstream cooking products and the increasing emphasis being placed on microwave/thermal cooking, the appliances we will probably see over the next few years don't promise to be dramatically different from what is being offered on retail floors today. And so long as the current boom in building, replacement and remodeling business continues, there's no real need for concern. But suppliers and retailers shouldn't succumb to complacency. In a few years those appliances purchased in the late '60s and early '70s will all have been replaced. Instead, the industry will be up against matching replacement sales from leaner appliance years.

It's time to start thinking of a futuristic appliance industry, one in keeping with the rapidly changing computer age in which we now exist. And one which will spawn products that will encourage consumers to buy, not because they need the item, but because they *want* it.

But changes don't happen overnight in the appliance business. Several months can be necessary to retool just for a new feature or coloration. A new product entirely would necessitate even longer lead time. The time to start developing the appliances of tomorrow is now so that they'll be ready to stimulate sales when the industry hits its next slump.

—Nancy Markov
managing editor/major appliances

How We Did It

Statistical matter for this survey was compiled by Selma Book, market research manager, and Matea Esguerra, research associate.

The 1983 estimates in this report are based on information provided by leading suppliers, industry associations, U.S. government reports and other industry sources. The data was collected via mailed questionnaires, telephone and personal interviews and library research.

Following the collection of the information from cooperating sources, the "expected" 1983 vs. 1982 percentage changes were weighted by the judgment and expertise of *Merchandising's* researchers and editors. The "weighted" averages of these changes were then applied to the information reported for 1982 in *Merchandising's* issue of March 1983.

Since no company was requested to report on its own performance, the estimates represent a weighted consensus, rather than a "census," of industrywide projections for full-year 1983 as reported in October of that year. "Shipments" represent the estimated number of units that are expected to be available for sale in the U.S. (whether imported or domestically manufactured). Exports and beginning-year inventories of wholesalers and retailers are excluded from these estimates for 1983.

NINTH ANNUAL MAJOR APPLIANCE STATISTICAL and MARKETING REPORT

Cooking

All cooking categories show pluses for 1983 as consumer purchases are no longer postponed until a later date

It's a "no-lose" situation in cooking products this year. Significant gains will have been realized in products ranging from freestanding ranges to built-ins to microwaves and convection/microwave units, etc. when 1983 draws to a close. Even smoothtop ranges are expected to edge ahead slightly.

As one of the most postponable purchases, a lot of consumers held off buying ranges in 1982. This year, however, medium-priced units are moving in tonnage. There is also increased interest in features like self clean. Plus higher priced goods like high/low units with a microwave on the top are making a real mark on sales.

Also setting new records is the microwave oven. Shipments are expected to jump ahead 32.6 percent for the year. And with 30 percent or less market saturation in this country, there's a lot of potential left.

Cooking appliances, total factory shipments

	1983	1982	% of Change
Ranges, electric, total	2,577,000	2,041,000	+26.3%
Freestanding	1,997,000	1,590,000	+25.6%
All others, total	580,000	451,000	+28.6%
Slide-in	132,000	103,000	+28.2%
Drop-in	108,000	85,000	+27.1%
Cooktop	175,000	136,000	+28.7%
Built-in wall oven	165,000	127,000	+29.9%
Ranges, gas, total	1,536,000	1,383,000	+11.1%
Freestanding	1,360,000	1,220,000	+11.5%
High oven	85,000	78,000	+9.0%
Built-in	91,000	85,000	+7.1%
Smoothtop ranges	104,000	103,000	+1.0%
Microwave ovens, total	5,370,000	4,201,000	+33.6%
Countertop/over-the-range, total	5,088,000	3,794,000	+34.1%
Countertop	4,499,000	3,334,000	+34.9%
Over-the-range	589,000	460,000	+28.0%
Combination units, total	280,000	245,000	+14.3%
Single cavity	39,000	35,000	+11.4%
Double oven, gas	33,000	29,000	+13.8%
Double oven, electric	208,000	181,000	+14.9%
Microwave/convection, total	282,000	163,000	+26.7%
Countertop	145,000	117,000	+23.9%
Full range size	57,000	45,000	+26.7%

Percent of microwave oven combinations shipped by type

	1983	1982
Single cavity	16%	16%
Electric double-oven	70%	70%
Gas double-oven	14%	14%

Percent of range shipments by size

	Electric		Gas	
	1983	1982	1983	1982
24 in. & under	10%	8%	12%	11%
30 in.	87%	87%	79%	79%
36 in.	2%	3%	8%	9%
40 in.	1%	2%	1%	1%

Percent of ranges shipped with cleaning systems

	Electric ranges		Gas ranges	
	1983	1982	1983	1982
Self-cleaning	44%	43%	15%	15%
Continuous-clean	17%	18%	28%	30%

Percent of range sales by type of outlet

	Electric		Gas		Smoothtop	
	1983	1982	1983	1982	1983	1982
Appliance/TV store	39%	41%	41%	41%	44%	42%
Builder/contractor	12%	10%	9%	7%	5%	5%
Catalog showroom	1%	1%	1%	1%	1%	1%
Catalog store (Sears, Penneys, etc.)	21%	22%	30%	31%	21%	23%
Department store	4%	5%	3%	3%	6%	8%
Discount store	3%	3%	4%	4%	2%	2%
Furniture store	3%	4%	7%	6%	2%	3%
Home improvement center	4%	3%	1%	1%	2%	2%
Kitchen remodeler	12%	10%	4%	5%	16%	13%
Other	1%	1%	0%	1%	1%	1%

Percent of microwave oven combinations shipped by retail price range

	1983	1982
Under $650	8%	7%
$650-$749	14%	14%
$750-$849	25%	25%
$850-$1,000	29%	29%
Over $1,000	24%	25%

Percent of countertop microwave oven shipments by retail price range

	1983	1982
Under $250	8%	7%
$250-$299	15%	14%
$300-$399	32%	30%
$400-$499	28%	29%
$500-$600	13%	15%
Over $600	4%	5%

Percent of microwave oven sales by type of outlet

	1983	1982
Appliance/TV store	37%	36%
Builder/contractor	2%	2%
Catalog showroom	4%	4%
Catalog store (Sears, Penneys, etc.)	28%	27%
Department store	7%	8%
Discount store	11%	11%
Furniture store	4%	4%
Home improvement center	1%	1%
Kitchen remodeler	4%	4%
Other	2%	3%

Percent of range shipments by color

	1983	1982
Almond	45%	44%
Avocado	2%	2%
Coffee	2%	2%
Coppertone	0%	1%
Harvest gold	5%	5%
Wheat	8%	9%
White	37%	35%
Black glass and other	1%	2%

NINTH ANNUAL MAJOR APPLIANCE STATISTICAL and MARKETING REPORT

Cleanup

As housing starts rebound, so do dishwasher shipments; replacement and remodeling markets also boost volume

The dishwasher industry has benefitted on three fronts—the rebound of the builder's market, an improved replacement business and a revitalized remodeling segment. Consequently, the total category is expected to realize a gain of 23.9 percent to 2,702,000 units this year.

Virtually all new construction today contains a dishwasher. And housing starts could reach the 1.7 million mark for 1983. As a result, built-in dishwasher shipments should be far ahead of last year by 26.1 percent, up from 1,946,000 units. Builder-related sales will remain strong as new housing starts now reach completion. Too, this trend bodes well for this category going into 1984 since appliances are traditionally the last items to go into a new home. Dishwashers will be needed early next year for the housing projects being started now.

Another factor contributing to increased dishwasher shipments in 1983 is the need to replace many of the units installed in consumers' homes in the late '60s and early '70s. Certainly this is generating additional shipments to retailers.

So are remodeling projects. More of these are being undertaken this year thanks to an increase in disposable income, accounting for additional dishwasher purchases. Many people prefer to invest in their existing home, rather than purchase a new one. And a remodeled kitchen almost always means a new dishwasher.

But while more of these units may have found their way to dealers' floors this year, their retails haven't changed too much from those a year ago. Built-in models priced from $300 to $349 are expected to account for 25 percent of the units shipped, up only one percentage point from last year. This was at the expense of the $350 to $399 category which dropped one percentage point to 16 percent. Dishwashers priced from $400 to $450 should account for 15 percent of the models dealers receive.

Portables buck trend

Portable models, however, do reflect more of a shift to higher retails. Twenty percent of the portable units shipped this year are expected to sport price tags ranging from $350 to $400, compared with 18 percent in 1982. Over $400 units will probably account for 29 percent of the units shipped, compared with 28 percent last year.

One trend, however, is the increase in the percent of units shipped with energy-saving cycles. In 1983, this number should fall around 95 percent; in 1982, it was 93 percent. It's long been acknowledged that consumers are growing more concerned with features like hot water boosters (which heat the dishwasher's water even though the home heating system may be at a lower setting), air instead of heat drying and programmable cycles for delayed start and reduced water usage.

Another trend that has been evident, this one for the past several years, is where more dishwashers are being shipped with multipanel color packages—65 percent compared with 60 percent in 1982. The second color preference in dishwashers is again almond at 17 percent of the units shipped. This year, however, the color reflects a one percentage point slip from 1982's figure.

Cleanup appliances, total factory shipments

	1983	1982	% of Change
Cleanup appliances, total	6,318,000	5,051,000	+25.1%
Dishwashers, total	2,702,000	2,181,000	+23.9%
Portable	248,000	235,000	+5.5%
Built-in	2,454,000	1,946,000	+26.1%
Food waste disposers	3,436,000	2,693,000	+27.6%
Trash compactors	180,000	177,000	+1.7%

Percent of portable dishwasher shipments by retail price range

	1983	1982
Under $250	11%	13%
$250-$299	18%	18%
$300-$349	22%	23%
$350-$400	20%	18%
Over $400	29%	28%

Percent of dishwasher shipments by color

	1983	1982
Almond	17%	18%
Avocado	1%	1%
Coffee	1%	1%
Coppertone	1%	1%
Harvest gold	1%	2%
Wheat	2%	3%
White	8%	9%
Wood grain	1%	1%
Multicolor panel packages	65%	60%
Other	3%	4%

Percent of trash compactor shipments by color

	1983	1982
Almond	43%	41%
Avocado	1%	3%
Coffee	3%	4%
Coppertone	1%	2%
Harvest gold	5%	5%
Wheat	10%	10%
White	33%	32%
Wood grain	1%	1%
Other	3%	2%

Fewer dishwashers were shipped to the builder/contractor market in 1982, but this situation changed for 1983. This segment should gain three percentage points, to 31 percent, the position it held in 1981. The outlets that are expected to lose ground this year are the appliance/TV dealers, down from 26 percent to 24 percent, and the catalog chains, down from 25 percent to 24.

The food waste disposer is another product whose success is often directly tied to the health of the builder's market. Shipments are expected to be up 27.6 percent this year to 3,436,000 units. But interestingly, it isn't expected that the builder/contractor segment of the market will gain share this year. In fact, it is estimated that it will receive 27, not 28 percent of the food waste disposers shipped to dealers this year. It is the plumbing contractor that should gain share this year with 26 percent of the units shipped, up from 22 percent in 1982.

This may mean that a significant percentage of the disposer shipments being sold are to replacement customers who now consider this product a necessity in the home. And plumbing contractors are the outlets that most often handle disposer repairs, making replacement purchases easiest for the consumer to transact in these operations.

Part of the plumbing contractor's gain in this category is expected to come at the expense of the catalog chain—down to 15 percent from 17 percent last year—and from the home improvement center.

Percent of built-in dishwasher shipments by retail price range

	1983	1982
Under $250	10%	11%
$250-$299	19%	19%
$300-$349	25%	24%
$350-$399	16%	17%
$400-$450	15%	14%
Over $450	15%	15%

Percent of dishwashers shipped with energy-saving cycles

	1983	1982
Energy-saving cycles	95%	93%

Percent of dishwasher sales by type of outlet

	1983	1982
Appliance/TV store	24%	26%
Builder/contractor	31%	28%
Catalog showroom	1%	1%
Catalog store (Sears, Penneys, etc.)	24%	25%
Department store	2%	2%
Discount store	6%	7%
Furniture store	1%	2%
Home improvement center	3%	2%
Kitchen remodeler	6%	6%
Plumbing contractor	2%	1%

Percent of trash compactor sales by type of outlet

	1983	1982
Appliance/TV store	26%	26%
Builder/contractor	21%	20%
Catalog showroom	1%	1%
Catalog store (Sears, Penneys, etc.)	27%	28%
Department store	10%	11%
Discount store	2%	2%
Home improvement center	3%	3%
Kitchen remodeler	10%	9%

Percent of food waste disposer sales by type of outlet

	1983	1982
Appliance/TV store	9%	9%
Builder/contractor	27%	28%
Catalog showroom	1%	1%
Catalog store (Sears, Penneys, etc.)	15%	17%
Department store	2%	2%
Home improvement center	9%	10%
Kitchen remodeler	11%	11%
Plumbing contractor	26%	22%

MAJOR APPLIANCE STATISTICAL and MARKETING REPORT — NINTH ANNUAL

Air Treatment

Air conditioner shipments are predicted to fall 16.2%, but the energy-efficiency story is gaining ground

Yes, a lot of retailers did have a spectacular room air conditioner selling season in 1983. So why the expected decrease in shipments to 2,302,000 units, a 16.2 percent drop?

The key reason is that most of the goods that sold this past summer were manufactured in 1982. A disastrous selling season that year meant a large carryover into 1983 and little need for additional production in many sizes and price points.

Of the goods that are being shipped for 1983, however, more of them are in the smaller sizes enabling consumers to "spot cool" a room. The category under 7,000 Btu's should account for 32 percent of the units shipped, compared with 31 percent in 1982. The range from 7,000 to 10,000 Btu's is expected to make up 28 percent of the units sent to dealers this year, up from 27 percent.

Because of specific rulings in some states and utility rebates in certain areas around the country, increasing numbers of today's air conditioner customers are energy-conscious. Consequently, more units with E.E.R.'s (energy-efficiency ratios) of 7.5 or over will be shipped for total 1983. Fifty percent of the goods shipped this year will sport high ratings compared with 47 percent in 1982.

Since high E.E.R. goods tend to cost more at point of purchase, this may be why an estimated 37 percent of the units shipped will sport retails of $351 to $550 compared with 35 percent in 1982.

Air treatment, total factory shipments

	1983	1982	% of Change
Air Treatment, total	3,566,000	3,417,000	−12.6%
Air Conditioners, room	2,302,000	2,747,000	−16.2%
Air Cleaners, total	191,000	178,000	+7.3%
Portable (room type)*	54,000	55,000	−1.8%
Central & duct mount	137,000	123,000	+11.4%
Dehumidifiers	493,000	492,000	+0.2%

*Retails for $500 or more

Percent of dehumidifier sales by type of outlet

	1983	1982
Appliance/TV store	28%	28%
Catalog showroom	1%	1%
Catalog store (Sears, Penneys, etc.)	27%	27%
Department store	16%	17%
Discount store	22%	21%
Furniture store	5%	5%
Home improvement center	1%	1%

Percent of dehumidifier shipments by capacity

	1983	1982
15 pts. & under	7%	9%
16 - 29 pts.	50%	51%
30 pts. & over	43%	40%

Percent of room air conditioner shipments by installation type

	1983	1982
Regular	88%	89%
Casement	3%	3%
Through-the-wall	9%	8%

Percent of room air conditioner shipments by size

	1983	1982
Under 7,000 Btu's	32%	31%
7,000 - 10,000 Btu's	28%	27%
11,000 - 19,000 Btu's	31%	32%
20,000 Btu's and over	9%	10%

Percent of room air conditioner shipments by retail price range

	1983	1982
Under $150	2%	2%
$150-$250	25%	26%
$251-$350	27%	28%
$351-$450	25%	24%
$451-$550	12%	11%
$551-$650	5%	5%
$651-$750	2%	2%
Over $750	2%	2%

Percent of room air conditioner sales by type of outlet

	1983	1982
Appliance/TV store	29%	28%
Builder/contractor	4%	4%
Catalog showroom	3%	3%
Catalog store (Sears, Penneys, etc.)	23%	22%
Department store	11%	13%
Discount store	25%	25%
Furniture store	2%	2%
Home improvement center	2%	2%
Kitchen remodeler	1%	1%

Percent of room air conditioner shipments by E.E.R.

	1983	1982
High (7.5 and over)	50%	47%
Low (under 7.5)	50%	53%

Refrigeration

Refrigerator shipments reflect growth of large-sized units and more high-end features as economy improves

Refrigerator shipments have rebounded and should show a unit gain for 1983 of 11.5 percent to 5,417,000 units. But not only are consumers back in this market, which dropped 13.2 percent last year, the units they're buying sport more energy-saving devices, more automatic ice makers, plus through the door ice and/or water. And more large-sized refrigerators will be shipped for the total year 1983—a reverse of what seemed to be the trend last year when mid-sized units gained share.

While last year's activity in downsizing may have been due in part to a swing to smaller homes, in many cases, it was probably due to the more-affordable price points of these models at a time when disposable consumer income was tight.

For as the economy has improved, appliance buyers have been purchasing larger and more expensive refrigerators. Of all the standard-sized refrigerators being shipped for 1983, side-by-side's should show the biggest percent gain—up 13.9 percent from 627,000 units in 1982.

And since side-by-sides are also the grouping sporting the largest cu. ft. capacity, no doubt this has contributed to the shift in more shipments of large-sized units this year. In 1982, 62 percent of the refrigerators shipped to dealers offered capacities from 6.5 to 17 cu. ft.; 38 percent ranged from 18 to 22 cu. ft. and over. Of the units being shipped for 1983, however, smaller sizes are expected to drop four percentage points to 58 percent. Refrigerators sporting capacities from 18 to 22 cu. ft. and over should account for 42 percent of shipments to dealers.

Percent of refrigerator shipments by size

	1983	1982
6.5 to 11 cu. ft.	3%	4%
12 - 13 cu. ft.	6%	8%
14 - 15 cu. ft.	25%	25%
16 - 17 cu. ft.	24%	25%
18 - 19 cu. ft.	21%	19%
20 - 21 cu. ft.	12%	11%
22 cu. ft. & over	9%	8%

Refrigeration appliances, total factory shipments

	1983	1982	% of Change
Refrigerators/freezers, total	6,849,000	6,373,000	+7.5%
Refrigerators, total	5,417,000	4,858,000	+11.5%
Top-mount (6.5 cu. ft. & over)	3,720,000	3,336,000	+11.5%
Side-by-side (6.5 cu. ft. & over)	714,000	627,000	+13.9%
Bottom-mount (6.5 cu. ft. & over)	89,000	84,000	+6.0%
Single-door (6.5 cu. ft. & over)	334,000	318,000	+5.0%
Compacts (under 6.5 cu. ft.)	560,000	493,000	+13.6%
Freezers, total	1,432,000	1,515,000	−5.5%
Chest (10 cu. ft. & over)	620,000	719,000	−13.8%
Upright (10 cu. ft. & over)	552,000	571,000	−3.3%
Compacts (under 10 cu. ft.)	260,000	225,000	+15.6%

Refrigeration

Percent of compact refrigerator shipments by size

	1983	1982
2 cu. ft.	31%	31%
3 cu. ft.	7%	6%
4.5 cu. ft.	38%	35%
4.6 - 6.4 cu. ft.	24%	28%

Percent of freezer shipments by size

	1983	1982
10 - 14 cu. ft.	27%	27%
15 cu. ft.	20%	20%
16 - 17 cu. ft.	23%	23%
18 - 19 cu. ft.	8%	8%
20 cu. ft. & over	22%	22%

Percent of compact freezer shipments by size

	1983	1982
4 cu. ft.	15%	9%
5 - 6 cu. ft.	23%	29%
7 - 8 cu. ft.	30%	30%
9 - 9.9 cu. ft.	32%	32%

Percent of refrigerators shipped with automatic ice makers

	1983	1982
Automatic ice makers	16%	14%

Percent of refrigerators shipped with through-the-door ice and/or water

	1983	1982
Top-mount	4%	2%
Side-by-side	28%	26%

Percent of refrigerator shipments by retail price range

	1983	1982
Under $300	4%	4%
$300 - $399	10%	10%
$400 - $499	20%	20%
$500 - $649	32%	33%
$650 - $800	18%	18%
Over $800	16%	15%

Percent of freezer shipments by retail price range

	1983	1982
Under $300	23%	23%
$300 - $399	39%	39%
$400 - $499	28%	27%
$500 - $600	7%	7%
Over $600	3%	4%

Percent of refrigerator and freezer shipments by defrosting system

	Refrigerators		Freezers	
	1983	1982	1983	1982
No-frost	84%	82%	8%	9%
All other	16%	18%	92%	91%

Percent of refrigerator and freezer shipments by color

	Refrigerators		Freezers	
	1983	1982	1983	1982
Almond	45%	42%	11%	10%
Avocado	2%	3%	1%	1%
Coffee	2%	2%	1%	1%
Harvest gold	1%	1%	1%	1%
Wheat	13%	15%	1%	1%
White	36%	36%	82%	81%
Wood grain	1%	1%	3%	5%

Percent of refrigerator and freezer sales by type of outlet

	Refrigerators		Freezers	
	1983	1982	1983	1982
Appliance/TV store	32%	33%	14%	14%
Builder/contractor	14%	12%	1%	1%
Catalog store (Sears, Penneys, etc.)	29%	29%	48%	47%
Department store	6%	8%	14%	14%
Discount store	5%	5%	14%	13%
Furniture store	5%	5%	4%	4%
Home improvement center	3%	2%	2%	2%
Kitchen remodeler	2%	1%	1%	1%
Other	4%	5%	2%	4%

Percent of compact refrigerator and freezer sales by type of outlet

	Compact refrigerators		Compact freezers	
	1983	1982	1983	1982
Appliance/TV store	24%	24%	19%	18%
Builder/contractor	1%	1%	1%	1%
Catalog showroom	9%	7%	5%	4%
Catalog store (Sears, Penneys, etc.)	35%	34%	41%	41%
Department store	9%	9%	11%	11%
Discount store	18%	18%	17%	16%
Furniture store	1%	1%	4%	5%
Home improvement center	1%	1%	1%	1%
Kitchen remodeler	1%	1%	0%	0%
Other	1%	4%	1%	3%

Percent of compact refrigerator shipments by retail price range

	1983	1982
Under $120	32%	31%
$120 - $149	30%	21%
$150 - $180	27%	29%
Over $180	11%	19%

Percent of compact freezer shipments by retail price range

	1983	1982
Under $190	6%	8%
$190 - $210	24%	22%
$211 - $240	36%	34%
$241 - $280	22%	22%
Over $280	12%	14%

Percent of refrigerators shipped with energy-saving devices

	1983	1982
Energy-saving devices	89%	87%

NINTH ANNUAL MAJOR APPLIANCE STATISTICAL and MARKETING REPORT

Laundry

Washers and dryers both are on the upswing in '83, but compact laundry market remains relatively stable

Home laundry business is healthy in 1983 as the total category is expected to show a gain in shipments of 14.5 percent to 7,808,000 units.

Automatic and semi-automatic models measuring 25 in. or more in width will show the greatest gains in washers, up 13.2 percent to 4,204,000 units. But the wringer and spinner market will continue to decline. This segment is expected to drop 33.8 percent this year to 51,000 units. Significant here is the fact that one major supplier has ceased making this product.

In dryers measuring 25 in. or more in width, strong gains will be advanced by electrics, which are expected to grow 21.4 percent to a total of 2,460,000 units. Gas dryers will also show a healthy increase of 14 percent to 668,000 units.

Activity in compact laundry, though, is pretty stable. Gains here are expected to be small. Compact washers measuring 24 in. or less in width are pegged for a gain of two percent to 257,000 units. The growth in compact dryers will be smaller—1.2 percent to 168,000 units.

Features don't change

But while more washers and dryers will have found their way to retail floors this year, there are few if any significant changes in features.

Large-capacity washers are still today's customer's first choice. Units that can handle 16 lbs. will again make up 20 percent of the washers shipped. But the bulk of sales are in units that handle loads of 18 lbs. and over—49 percent.

Internal electronic controls will register a slight decline on the washers shipped this year from 10 to nine precent since most washer purchasers are happy with a basic workhorse of a product—one with large capacity and good performance. In dryers, electronic controls will gain slightly. They were a feature on nine percent of the units shipped last year; this year, the number is 10.

Automatic fabric settings are also becoming more important for some dryer customers. This feature will be found on 68 percent of the models shipped, compared with 65 percent in 1982. Consequently, time-dry is found on 32 percent of the models suppliers are shipping to retailers this year.

Percent of washer shipments by capacity

	1983	1982
12 lbs. & under	17%	17%
14 lbs.	14%	14%
16 lbs.	20%	20%
18 lbs. and over	49%	49%

Percent of washer and dryer shipments by color

	Washers		Dryers	
	1983	1982	1983	1982
Almond	26%	25%	28%	27%
Avocado	1%	1%	1%	1%
Coffee	0%	1%	0%	1%
Harvest gold	3%	3%	4%	4%
Wheat	3%	5%	4%	5%
White	67%	65%	63%	62%

Percent of washer and dryer shipments by internal control type

	Washers		Dryers	
	1983	1982	1983	1982
Electronic controls	9%	10%	10%	9%
Mechanical controls	91%	90%	90%	91%

Percent of washer and dryer shipments by number of cycles

	Washers		Dryers	
	1983	1982	1983	1982
1 - 2	29%	29%	33%	33%
3 - 4	70%	70%	66%	66%
5 or more	1%	1%	1%	1%

Percent of washer and dryer sales by type of outlet

	Washers		Dryers	
	1983	1982	1983	1982
Appliance/TV store	34%	34%	34%	34%
Builder/contractor	4%	4%	5%	5%
Catalog showroom	3%	3%	3%	3%
Catalog store (Sears, Penneys, etc.)	39%	39%	38%	38%
Department store	8%	8%	8%	7%
Discount store	8%	8%	8%	9%
Furniture store	4%	4%	4%	4%

Home laundry appliances, total factory shipments

	1983	1982	% of Change
Laundry, total	7,808,000	6,821,000	+14.5%
Washers, total	4,512,000	4,043,000	+11.6%
Auto & semi-auto (25 in. or more in width)	4,204,000	3,714,000	+13.2%
Wringer & spinner	51,000	77,000	−33.8%
Compact washers (24 in. or less in width)	257,000	252,000	+2.0%
Dryers, total	3,296,000	2,778,000	+18.6%
Electric (25 in. or more in width)	2,460,000	2,026,000	+21.4%
Gas	668,000	586,000	+14.0%
Compact dryers (24 in. or less in width)	168,000	166,000	+1.2%

Percent of washers shipped that are portable

	1983	1982
Portable	5%	6%

Percent of dryer shipments by type

	1983	1982
Automatic fabric settings	68%	65%
Time-dry	32%	35%

Percent of compact washer and dryer sales by type of outlet

	1983	1982
Appliance/TV store	48%	48%
Builder/contractor	1%	1%
Catalog showroom	5%	5%
Catalog store (Sears, Penneys, etc.)	14%	14%
Department store	11%	11%
Discount store	11%	11%
Furniture store	10%	10%

Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

		Last month's position	Months on chart
1.	Flashdance (Paramount)	3	2
2.	48 Hours (Paramount)	1	4
3.	The Man from Snowy River (CBS/Fox)	14	2
4.	Bad Boys (Thorn EMI)	5	2
5.	Porky's (CBS/Fox)	2	3
6.	The Verdict (CBS/Fox)	4	4
7.	The Outsiders (Warner)	6	2
8.	The Year of Living Dangerously (MGM/UA)	—	1
9.	Dr. Detroit (MCA)	—	1
10.	Sophie's Choice (CBS/Fox) GI	7	5
11.	High Road to China (Warner) G	8	4
12.	The King of Comedy (RCA/Columbia)	18	2
13.	Eating Raoul (CBS/Fox)	—	1
14.	Gandhi (RCA/Columbia)	—	1
15.	Beastmaster (MGM/UA)	9	3
16.	Tender Mercies (Thorn EMI)	—	1
17.	Without a Trace (CBS/Fox)	—	1
18.	Valley Girl (Vestron)	—	1
19.	An Officer and a Gentleman (Paramount) GPI	12	9
20.	First Blood (Thorn EMI) GI	10	5
21.	Windwalker (CBS/Fox)	—	1
22.	Spring Break (RCA/Columbia)	—	1
23.	The Toy (RCA/Columbia) I	11	5
24.	The Black Stallion Returns (CBS/Fox)	—	1
25.	Southern Comfort (Embassy)	—	1
26.	Table for Five (CBS/Fox)	13	2
27.	Mad Max (Vestron)	16	4
28.	Still Smokin' (Paramount)	17	3
29.	Final Countdown (Vestron)	28	2
30.	Six Weeks (RCA/Columbia)	15	3

Top 10 in videocassette sales

1.	Flashdance (Paramount)	1	2
2.	Jane Fonda's Workout (Karl) GPI	2	18
3.	48 Hours (Paramount)	3	4
4.	An Officer and a Gentleman (Paramount) GPI	4	9
5.	High Road to China (Warner)	10	4
6.	Porky's (CBS/Fox)	5	3
7.	Bad Boys (Thorn EMI)	9	2
8.	Grease (Paramount) GPI	7	3
9.	The Outsiders (Warner)	—	1
10.	Dr. Detroit (MCA)	—	1

Top 5 in CED videodisc sales

1.	Flashdance (Paramount)	—	1
2.	High Road to China (Warner) G	4	2
3.	48 Hours (RCA VideoDiscs)	1	3
4.	The Verdict (RCA VideoDiscs)	2	4
5.	Firefox (Warner)	—	1

Top 5 in laserdisc sales

1.	Flashdance (Paramount)	—	1
2.	48 Hours (Paramount)	1	4
3.	Firefox (Warner)	2	2
4.	Thunderball (CBS/Fox)	—	1
5.	High Road to China (Warner)	—	1

G—Title has gone gold—has sold 25,000 on disc and/or cassette and has sales of at least $1 million. (RIAA/Video)
P—Title has gone platinum—has sold 50,000 on disc and/or cassette and has sales of at least $2 million. (RIAA/Video)
I—Golden Videocassettes award—has audited return of sales or rentals of $1 million unless company has a return policy. Then, the allowance must be deducted from the gross revenue. (ITA)

VIDEO/NEW RELEASES

EMBASSY

THE NEW MISADVENTURES OF ICHABOD CRANE One of the two initial releases in Embassy's Children's Treasure series, this program is a Halloween adventure story. *Color 30 minutes C: $24.95.*

THE RACOONS AND THE LOST STAR Full-length feature presenting "rising stars in the world of animation," also part of the Children's Treasure series. *Color 49 minutes C: $39.95.*

IRS VIDEO

THE POLICE AROUND THE WORLD Concert footage of the popular rock group's 1981 international tour as well as scenes of the three members gallivanting through the streets of Japan, Hong Kong, Greece, Bombay, Cairo and other venues. Of certain appeal to the young. *Color 77 minutes Stereo & Beta Hifi C: $33.95.*

MONTEREY

BOOGIE ASSAULT The first rock video featuring the group Canned Heat, this program is timed to hit the market at the same time as its new album of the same title. *Color Stereo & Beta Hifi C: $39.95.*

A CELEBRATION Country music benefit concert for the late Dorsey Burnett. Performers include Glen Campbell, Kris Kristofferson, Tanya Tucker, Gary Busey and Maureen McGovern. *Stereo & Beta Hifi C: $39.95.*

MUPPET

FRAGGLE SONGS, VOL. 1 Muppet creator Jim Henson's newest characters, the Fraggles, bring home their own form of music video, with a touch of country, a bit of rock 'n' roll, some calypso and a bar or two of the blues. *Color 52 minutes C: $49.95 CED & LV: $24.95 (LV in December).*

PARAMOUNT

DELIRIOUS Eddie Murphy's sold-out summer concert tour is now available for home viewing. You're beautiful, Eddie. *C: $59.95 CED & LV: $29.95.*

THE MAN WHO WASN'T THERE Zany spoof on the invisible man theme. *Color C: $59.95.*

RAIDERS OF THE LOST ARK (1982) Paramount plans to do it again with the release of a box-office blockbuster to the home video market at the price we've all come to know and love—$39.95. Harrison Ford and Karen Allen star in the Spielberg and Lucas collaboration that produced the ultimate Saturday afternoon adventure show. *Color C: $39.95. Due Dec. 1.*

RCA/COLUMBIA

BLUE THUNDER (1983) Action-packed thriller starring Roy Scheider as a police helicopter pilot chosen to test the ultimate chopper. *Color R Stereo & Beta Hifi C: $79.95.*

NUTCRACKER FANTASY (1979) Puppet musical about a heroic mouse who rescues a beautiful princess from certain danger. Features the voices of Melissa Gilbert and Roddy McDowell and the music of Tchaikovsky. *Color G C: $39.95.*

QUADROPHENIA (1979) An adaptation of The Who's classic rock opera about fights between the Mods and the Rockers in peaceful English towns by the sea. *Color R Stereo & Beta Hifi C: $59.95.*

THERE'S A GIRL IN MY SOUP (1970) Peter Sellers and Goldie Hawn star in this comic love story. *Color R C: $59.95.*

VESTRON

BREATHLESS (1983) This remake of Jean-Luc Godard's original masterpiece stars heartthrob Richard Gere and Valerie Kaprisky. *Color R 105 minutes C.*

LADIES NIGHT OUT (1983) The Peter Adonis Traveling Fantasy Show turns the tables with this all-male burlesque show. *Color 80 minutes Stereo C.*

ULTRAFLASH! (1983) Inspired by guess-what-recent-hit, this dance-music entertainment program features flashy moves and a powerful beat. Available p-o-p includes workout towel with the Ultraflash! logo. *Color 60 minutes Stereo C.*

WARNER

THE MAN WITH TWO BRAINS (1983) Written and directed by Carl Reiner, this movie stars that wild and crazy guy, Steve Martin, as a surgeon who's torn between one woman's body and another's brain. Or is he? *Color R 91 minutes C: $69.95 CED & LV: $34.98.*

STRANGERS ON A TRAIN (1951) Alfred Hitchcock's classic about a demented playboy and a tennis star entangled in a series of "exchange murders." *101 minutes C: $59.95.*

STROKER ACE (1983) Burt Reynolds behind the wheel again as a stock car driver who tries to break his contract with a greedy fried chicken magnate. Co-stars that name-in-the-news Loni Anderson. *Color PG 96 minutes C: $69.95.*

Gear selection to salesperson's capacity to give informed pitch on software stocked

By Howard S. Rauch, editorial director

SAN DIEGO—Mental space!

It's a concept worth understanding in computer retailing, especially since it could be one reason why your software sales may miss desired projections.

In fact, a suspected mental space gap has prompted at least two major computer chains to chop software sku's. Other specialty retailers may follow suit.

Should such a trend pick up steam, it would provide an interesting, contradictory state of affairs. After all, software has been billed as a growth phenomenon. Supposedly, it should pick up the profit slack forfeited during the current spate of hardware price-cutting.

Whether or not mental space is to become a nationwide affair, it did receive some focus during Future Computing, Inc.'s third Computer Retail Forum. While the Forum is not directed towards conventional electronics retailers and mass merchants, these groups are affected by much of what was covered.

Aside from the software focus, for example, the Forum made it clear that the market is becoming more saturated at all retail levels. Computer specialists, aside from opening new stores at a rapid clip, are expanding leased operations via department stores.

Meanwhile, those electronics retailers now eyeing the low-end personal computer market—the $1,000 to $1,500 price range—need super sales training programs. Reason? They must contend with specialty stores that are investing heavily in professional sales staffs.

The above considerations aside, the computer market continues—for the moment—to grow like gangbusters. Many executives gathered for the Forum see no immediate, massive shakeout. But in the future, they hastened to add, retailers and manufacturers that have no long-range marketing plan will be among the early casualties.

Mental space evaluated

"Mental space" was raised during a discussion of how retailers can best assess new hardware and software products. The "mental," explained panelist Len Simon, president, Computer City, pertains to how many different products "a salesperson can keep in his head."

If a store's sku selection exceeds a salesperson's mental space capacity, it was noted, the result is ineffective presentations on some product lines. Since potential software sku's outnumber hardware, mental space could become a significant sales deterrent. The solution, noted Simon and other retail panelists, is to slice the sku count.

Computer City, a California operation, has dropped three spreadsheet programs, reported Simon. "We started to eliminate some productivity packages that were being demonstrated once a month or once every two months," he said.

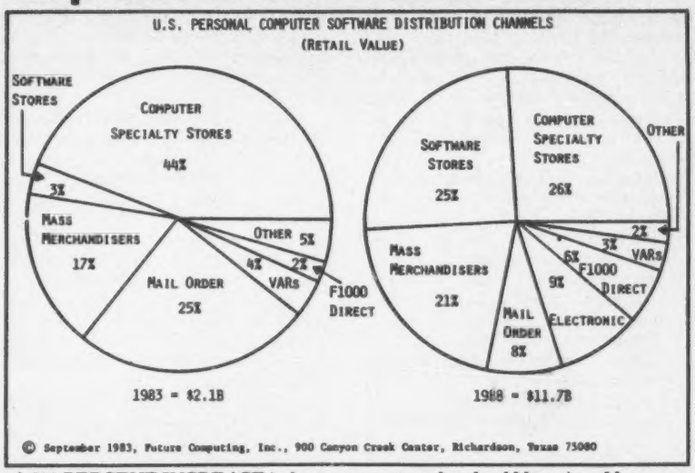
The infrequency of the demonstration did not keep salespeople sharp on presenting these products. Meanwhile, stressed Simon, a demonstration still ran 90 minutes. Invariably, the program was not sold—an obvious sales productivity deterrent.

"People sell what they can demonstrate," agreed Joe Harmon, vice president of merchandising, CompuShop, Inc., a Texas-based chain. "Ten of our software titles do 58 percent of our business. The problem is that other programs were added after many of our salespeople were trained."

Harmon pointed out that for a software specialty store carrying more than 300 titles, the mental space problem could be even more pronounced.

Another often discussed aspect of mental space is a salesperson's desire to go for the big-ticket hardware order. Software doesn't offer comparable incentives. Therefore, the typical computer store salesperson is not inclined to bone up carefully on every program carried.

This rationale is believed to be the basis on which software-only outlets are expected to thrive. "The public needs a place where someone is willing and anxious to demonstrate software," declared William Ladin, chairman, Computer Craft, Inc. The 30-unit chain based in Texas currently operates three software stores, he said.



A 300 PERCENT INCREASE in home computer sales should be enjoyed by mass merchandisers during the next five years. Mass merchants will sell $1 billion in home computers this year, says Future Computing.

Sees lower customer expectation

Being able to speak authoritatively on every product carried may be less of a problem for software stores. Therefore, the mental space factor could remain more of a sales drawback for "hybrid" stores.

This possibility was raised by Future Computing, Inc. (FCI) president Dr. Portia Isaacson. In her presentation focusing on the personal computer market, Isaacson put it this way:

"If a computer store sells software, the customer has a higher expectation that the store is knowledgeable on such package. In a software store, the expertise expectation is lower."

FCI estimated that 175 software stores were operating as of August 1983; 45 percent are franchised outlets. Store locations by state follow the typical computer specialty store pattern—24.4 percent of software outlets are in California, another 14.8 percent in Texas.

One deviation from the pattern is the present strong showing in New

(Continued on page 62)

Recheck sales policies to avoid legal doghouse, warns attorney

SAN DIEGO—"Legal hazards of other retail businesses are here. If you violate anti-trust laws, the other guy gets treble damages plus attorney fees."

This warning was issued by Richard (Brik) Gordon, an Atlanta attorney, in winding up a presentation on "Legal Opportunities and Pitfalls in Computer Retailing."

Gordon's presentation covered the hazards of price-fixing, incorrect warranties made by salespeople and fuzzy ads. Among Gordon's points were the following:

• Avoid false advertising. Don't show a $79 unit, for example, purported to do double-entry bookkeeping. Don't give a price in an ad that contains illustrations of several peripherals if the peripherals cost extra.

• If a software demonstration is misleading, you can be hung on a warranty rap. For example, you could [illegible] if you demonstrate a software package "on a configuration other than what the consumer will buy." Salespeople should not answer questions if they are unsure of their facts regarding product performance.

• Any dealer suspecting that he has been cut off from a particular product line through competitive collusion should keep records in writing pertaining to the problem.

• Don't threaten a manufacturer that you will drop his line unless you receive a more favorable price break.

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Products	63,64

VIDEOGAMES

BEAMRIDER, Activision. Intellivision-compatible. Available now. Suggested retail $34.95.
FROSTBITE, Activision. Atari 2600-compatible. Available now. Suggested retail $31.95.
MOUNTAIN KING, CBS Electronics. Atari 2600-, 5200-compatible. Available now.
OMEGA RACE, CBS Electronics. Atari 2600-compatible. Available now.
PIE MAN, Penguin Software. Atari 2600-compatible. Available now.
POOYAN, Datasoft. Atari series-compatible. Available now. Suggested retail $34.95.
PRESSURE COOKER, Activision. Atari 2600-compatible. Available now. Suggested retail $34.95.

COMPUTERS

GAMES

AIRPORT, The Software Toolworks. DEC-, Kaypro-, Osborne-, Xerox-, Heath/Zenith-compatible. Available now. Suggested retail $19.95.
BLADE OF BLACKPOOLE, Sirius Software. Commodore 64-, Apple II series-, Atari 800/1200-compatible. Available now. Suggested retail $39.95.
CRASH DIVE, Fox Video Games. Atari 400/800-compatible. Available now.
FUEGO, United Microwave Industries, Inc. Commodore 64-compatible. Available now. Suggested retail $34.95.
GRANDMASTER, United Microware Industries, Inc. Commodore 64-compatible. Available now. Suggested retail $34.95.
GRUDS IN SPACE, Sirius Software. Commodore 64-, Apple II series-compatible. Available now. Suggested retail $39.95.

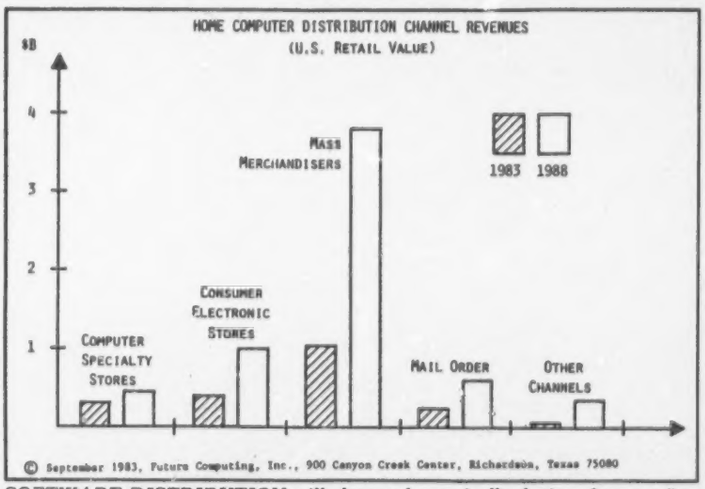
JAWBREAKER, Texas Instruments. TI series-compatible. Available this quarter. Suggested retail $39.95.
JUICE, Tronix Publishing, Inc. Commodore 64-compatible. Available now.
M*A*S*H, Fox Video Games. Atari 400/800-, VIC 20-compatible. Available this quarter.
MOTOR MANIA, United Microware Industries, Inc. Commodore 64-compatible. Available now. Suggested retail $34.95.
PENNANT DRIVE, United Microware Industries, Inc. Commodore 64-compatible. Available now. Suggested retail $34.95.
PENTAPUS, Turning Point Software. Apple II series-compatible. Available now. Suggested retail $29.95.
PORKY'S, Fox Video Games. Atari 400/800-, VIC 20-compatible. Available now.
RENAISSANCE, United Microware Industries, Inc. Commodore 64-compatible. Available now. Suggested retail $34.95.
REVENGE OF THE BEEFSTEAK TOMATOES, Fox Video Games. Atari 400/800-, VIC 20-compatible. Available this quarter.
SNAKE BYTE, Sirius Software. Apple II series-, Atari 800/1200-, VIC 20-compatible. Commodore 64-compatible on disk. Available now.
SQUISH 'EM, Sirius Software. VIC 20-, Atari 400/800/1200-compatible. Available now. Suggested retail $19.95.
STAR BATTLE, Timeworks, Inc. Commodore 64-compatible. Available now. Suggested retail $24.95.
WORLD FEUD, United Microware Industries, Inc. Commodore 64-compatible. Available now. Suggested retail $34.95.

LEARNING

FACEMAKER, Texas Instruments. TI 99/4A-compatible. Available this quarter. Suggested retail $39.95.
MATH DUAL, Computer Software Associates. VIC 20-compatible. Available now. Suggested retail $19.95.
SPEED READER II, Davidson & Associates. Commodore 64-compatible. Available now. Suggested retail $69.95.
STORY MACHINE, Texas Instruments. TI 99/4A-compatible. Available this quarter. Suggested retail $39.95.
TINY TUTOR, Computer Software Associates. VIC 20-compatible. Available now. Suggested retail $19.95.
TK!SOLVER, Software Arts. Wang Professional Computer-, IBM PC-, DEC 350, DEC Rainbow-compatible. Available now.
TYPE ATTACK, Sirius Software. Atari 800/1200-, Apple II series-, Commodore 64-, VIC 20-compatible. Available now. Suggested retail $39.95.
VIC SKETCH, Computer Software Associates. VIC 20-compatible. Available now. Suggested retail $14.95.

HOME MGT.

TIME IS MONEY, Turning Point Software. Apple II Series-compatible. Available now.



SOFTWARE DISTRIBUTION will change dramatically during the next five years, according to Future Computing, Inc. Mass merchandisers will gain greater market share.

21% of software sales projected for mass merchandisers in 1988

(Continued from page 60)

Jersey, which has 11.8 percent of software stores, slightly more than New York. *(Editor's note: As explained later on in this article, the "big five" states for conventional computer stores are California, Texas, New York, Florida and Illinois.)*

The average software store's monthly sales volume, said FCI, is $27,000; the median is $25,000. Average monthly volume for stores in business three months or less is $14,000.

By 1988, it's projected that mass merchants will account for 21 percent of software sales, compared to 17 percent in 1983. Meanwhile, software stores will zoom from three percent of the pie this year to 25 percent by 1988.

As usual, FCI's Isaacson presented a carload of other new projections on where the computer business is heading. Some excerpts:

- By 1988, the worldwide home computer hardware market (retail value) will reach $9.4 billion. This compares to a projected $2.6 billion by year-end 1983.
- The combined software volume serving office/personal and home computers will reach $11.7 billion by 1988. Home computer software will generate $6.7 billion of that total. FCI sees the 1983 software market reaching $2.1 billion, $1.3 billion of which is home computer volume.
- As of June 1983, 207 new computer specialty stores had opened in the first half of the year. There should be approximately 3,000 computer stores operating by year-end. Meanwhile, 1982 was a banner year for computer specialists, with 449 new units making the scene; 29 percent of stores now operating opened in 1982.
- Average sales volume for a computer specialty store in 1983 is $1.5 million. This figure could reach $2.5 million by 1988.
- The "big five" in terms of states with computer store populations are California, Texas, New York, Illinois and Florida. Presently, California is home to 15 percent of U.S. computer stores; Texas has over nine percent.
- Concession of the home computer market to mass merchants is becoming more apparent. These outlets will do close to $4 billion in home computer business by 1988. This is up from approximately $1 billion projected for 1983.

Merchandising's TOP 10 TEN

. . . in videogame software

	Last month's position	Months on chart
1. [illegible] (Parker Brothers)	1	3
2. Centipede (Atari)	2	8
3. Pole Position (Atari)	3	2
4. Enduro (Activision)	4	5
5. BurgerTime (Mattel)	6	3
6. Jungle Hunt (Atari)	—	1
7. Mr. Do (Coleco)	—	1
8. Ms. Pac-Man (Atari)	5	9
9. Decathalon (Activision)	—	1
10. Kangaroo (Atari)	—	2

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A GRALLA PUBLICATION

Merchandising

DECEMBER 1983

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

MISMANAGING THESE PRODUCTS CAN BE HAZARDOUS TO YOUR HEALTH!

Respect Your Limits In Home Healthcare

CYCLICAL MANAGEMENT PEERS INTO THE FUTURE OF CONSUMER ELECTRONICS

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Merchandising

FOR OVER 56,200 RETAILERS & WHOLESALERS

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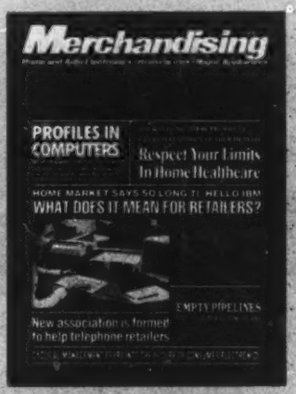
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Respect Your Limits In Home Healthcare
HOME MARKET SAYS SO LONG TI, HELLO IBM
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Merchandising
COMPUTERS

TI out, PCjr in: Stores ponder pricing strategies

By Patricia Monahan, associate editor

NEW YORK—Texas Instruments made its exit through the home computer market's revolving door as the IBM PCjr walked in. And the news left retailers scratching their heads, wondering if they should reposition themselves in the more stable higher-end market, or whether they should stay in home computers at all.

Surprisingly, though, the TI announcement hasn't created the havoc in the retail market that was originally predicted. Retailers interviewed by *Merchandising* reported brisk sales of the 99/4A's. Many said their outlook for the fourth quarter was bleak but the increased volume of TI sales could turn a profit in the home computer department for the first time.

In fact,several retailers were reordering the units in a rush to fill shelves left empty by computer-crazed consumers. One software distributor reported that a catalog showroom in New York had ordered an additional 6,000 units. "They're buying like there's never going to be another computer," commented one retailer. Dealers said they would carry the units until supplies ran out. Many expected to keep the software lines to take advantage of the installed base, which is expected to be more than two million.

A "wait and see" attitude has been adopted by retailers regarding the IBM PCjr. Some expressed an interest in carrying the computer, but questioned whether their stores were ready for the high-end market. Most seemed to agree that the consumers would not hold off buying computers for Christmas to wait for the PCjr.

The TI 99/4A's sold out at Hess' department stores, Allentown, PA, in less than a week, said Dennis Defrain,

(Continued on page 41)

Stores to beef up sku's to reap 25-40 margins on software, peripherals

By Lee Rath, editor

NEW YORK—Those retailers who braved the turbulent home computer market expect to see a brighter picture thanks to growth in peripheral and software sales.

With margins for these add-ons running in the 25-40 percent range, retailers will realize much greater profits in the computer category in 1984, according to participants in *Merchandising*'s latest Retail Opinion File.

We found that retailers already involved in the business project growth for 1984 and will beef up their commitments. But, at the same time, some dealers remain skeptical, and will idle in the "wait and see" mode for at least a bit longer before they start selling computers.

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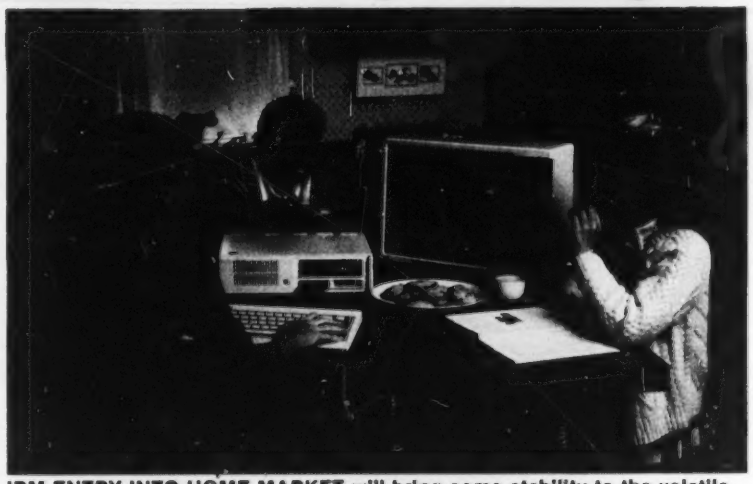

IBM ENTRY INTO HOME MARKET will bring some stability to the volatile category, said retailers. However, many are unsure about whether to pursue the high or low end of the business next year.

Industry analysts warn retailers:

Emphasize add-ons, brace for Japanese-product invasion

By Patricia Monahan, associate editor

NEW YORK—Computer retailers should place their bets on peripherals and other add-on sales in the months ahead. Also, say industry forecasters, they should watch for a shift in software titles and be ready to take advantage of the Japanese portable invasion.

This will put them in a better position to garner a bigger share of the home computer market—expected to total $2.9 billion in 1984, according to Future Computing, Inc., Richardson, TX. The installed base will swell to 7.5 million units and software sales are expected to double.

Mass retailers also may be able to capture a share of the emerging middle market—which some say will include the Coleco Adam as well as the IBM PCjr and Apple IIe. Forecasters say that the success of the Adam will determine the success of the mass merchant in this area.

However, for the most part, the mass market will stay in the lower end of computers, which is predicted to expand at a slightly slower rate than the high end. "The low-end market was averaging about 40 to 50 percent growth, but I expect it will have a 30 percent growth in 1984," said Norm Weizer, senior analyst, Arthur Little & Co.,

(Continued on page 40)

FEATURE-DRIVEN advertising will help Atari's new line of XL computers stay out of the price war in home computers, said Atari Sales & Distribution Co. president Don Kingsborough.

Atari banks on software, XL's to escape price point battlefield: Kingsborough

By Anthony Rutigliano, section ed.

SUNNYVALE, CA—Besieged by price competition and operating losses, Atari is banking on its new line of third-party software and long-awaited XL home computers to get it off the ropes.

With the exception of the 600 XL—which began shipping to 1,500 retailers at the end of October—the company's extensive new product offerings are meant to elevate it above the price point fray. Atari has abandoned completely the under-$100 market and is positioning its new products to fill in the gaping price point void between $300 and $900.

What's more, the company believes that its "feature-driven" advertising and promotion will help it get back into the good graces of retailers. Atari projects dealers will realize 20 to 28 percent profit margins on CPU's and 33 to 40 percent on software.

"Our new strategy is to sell consumers on what computers can do for them," said Atari Sales & Distribution Co. president Don Kingsborough. "We feel, up until now, consumers have had a lot of frustration. An engineer's definition of user

(Continued on page 40)

Dealer poll finds retailers selling computers expect steady software volume during 1984

(Continued from page 29)

Among those reporting the most success are the discounters that responded to the survey. Sales are up considerably this year and should climb much higher in 1984.

What's more, these discounters are earning some respectable profits in the computer category, particularly on software.

The audio/video/electronics specialty stores also reported coming on strong and are planning to make an even more forceful push into the market next year. In terms of growth, these stores are among the most optimistic.

At the same time, those department stores polled are going to attempt to firm up an already strong position in computers by continuing to offer a broader selection of product than other types of retailers.

And finally, responding appliance/TV stores, the latest group to get into the market, plan to continue making a slow and steady entry, maintaining profitability as they go.

The charts on this and the following page profile stores typical of those polled for this survey. They represent all but six operations out of a total of 214 respondents.

Overall, 29 percent of the retailers responding now sell computers, and another 16.4 percent plan to add them next year. Almost 60 percent indicated that they expect to be selling computers at some point in the near future.

Mr. Popularity is...

Commodore turned out to be, by far, the most popular brand, accounting for 41.2 percent of the dealers' sales. It was followed by Atari with 19.1 percent, Texas Instruments (before its abrupt exit) with 8.5 percent and Apple with 5.3 percent.

When asked what brands they would like to add in 1984, the retailers named Coleco as their number one choice. Some 34.5 percent of the respondents said they'd like to sell the Adam. Also popular were: the PCjr (24.1 percent would like to add it this year); and computers by Apple (17.2 percent); Atari (10.3 percent); and Commodore (also 10.3 percent).

Discounters see a boom

Looking at the retailers category by category, responding discounting stores and catalog showrooms report doing very well in computers this year. But they expect to do even better in 1984. For example:

- Hardware sales, which shot up an average of 150 percent in 1983 are expected to explode by another 200 percent next year.
- Software sales are expected to double in 1984 while retailers as a group are looking for only a 54.7 percent increase.
- This will lead the discounters to boost software inventories by 48 percent, the largest projected increase in the industry.
- Sales of peripherals are expected to shoot up 75 percent in 1984, compared with an overall average increase of 55.8 percent.

And, surprisingly enough, indications are that the discounters are not sacrificing profitability to gain market share.

Although their gross profit margins on hardware average 13.3 percent, more than two points below the overall average, discounters are earning more than anyone else on software: 33 percent.

The same holds true in peripherals, where their gross profit margin is hitting 27.7 percent.

It also is encouraging to note that in the software arena not all the discounters' business is being done in games. To the contrary, they rely on entertainment titles for just 43.5 percent of their software sales.

Although discounters are one of the latest arrivals on the computer scene (60 percent have added the category only in the past two years), they are adopting some relatively innovative marketing tactics. For example, 80 percent of the discounters sell computers in packages that include peripherals and some software. This is far more than any other type of computer retailer.

As for the discounters' most popular price point, it is, as is to be expected, the lowest in the industry. The stores report moving a whopping 42.5 percent of their hardware in the $100 to $199 area, where most others shine between $200 and $299.

In addition, the discounters still rely on the fourth quarter to produce half of their annual computer sales, the most of any of the retailer categories. And they are carrying fewer brands than other types of retailers: an average of 1.6 this year, compared with the overall average of 2.2.

Electronics stores strong

Running a strong race in terms of growth in and commitment to computers are those audio/video/electronics specialty stores that were polled. They report, as a whole, doing well in software, very well in hardware and very very well in peripherals.

In peripherals, these stores are experiencing a 94.4 percent increase in volume this year, the largest in the industry. And they are expecting a 77.8 percent jump next year, also the largest.

Hardware volume is growing faster than the industry's as a whole, increasing by 87.5 percent this year, the second largest in the industry. And sales are expected to pick up by 68 percent next year, once again, the second largest jump among all the stores polled.

As for software, the audio/video/electronics stores also are doing well compared with the other stores. As a group, they increased sales 84.4 percent this year and expect to see them grow by 59.4 percent next year.

However, it would appear that these stores are building market share at the expense of profitability.

In peripherals, for example, their gross profit margin averages out to 19.6 percent, the lowest in the industry. The hardware margin comes out at the bottom, too: at 13.2 percent.

Retail Opinion File

Department Store Chain

Number of units: **14**
Selling computers since: **1980**
Average selling space devoted to computers per store: **350 sq. ft.**
Brands carried: **Atari, Commodore, Texas Instruments**
Would like to add in 1984: **Epson, IBM**
1983 computer volume (projected): **$1,350,000**
1984 computer volume (predicted): **$1,427,500**
1983 volume (projected) in: Hardware: **$1,000,000 (+10% from 1982)**
Software: **$250,000 (+60%)**
Peripherals: **$100,000 (+90%)**
1984 volume (predicted) in: Hardware: **$1,300,000 (+30% from 1983)**
Software: **$312,500 (+25%)**
Peripherals: **$115,000 (+15%)**
Gross profit margin on: Hardware: **12%**
Software: **25%**
Peripherals: **30%**
Portion of computer sales done in: First quarter: **10%**
Second quarter: **20%**
Third quarter: **20%**
Fourth quarter: **50%**
Software volume breakdown: Entertainment: **35%**
Education: **50%**
Home management: **15%**
How software is purchased: From publishers: **25%**
From local distributors: **75%**

Discount Store Chain

Number of units: **35**
Selling computers since: **1982**
Average selling space devoted to computers per store: **800 sq. ft.**
Brands carried: **Atari, Commodore, Texas Instruments**
1983 computer volume (projected): **$1,200,000**
1983 volume (projected) in: Hardware: **$700,000 (+75% from 1982)**
Software: **$300,000 (+40%)**
Peripherals: **$200,000 (+80%)**
Gross profit margin on: Hardware: **15%**
Software: **30%**
Peripherals: **28%**
Portion of computer sales done in: First quarter: **10%**
Second quarter: **10%**
Third quarter: **20%**
Fourth quarter: **60%**
Portion of computer sales made in "packages": **10%**
Software volume breakdown: Entertainment: **20%**
Education: **60%**
Home management: **15%**
Business/other: **5%**
How software is purchased: From publishers: **30%**
From local distributors: **70%**

Computer Specialty Chain

Number of units: **7**
Selling computers since: **1977**
Average selling space devoted to computers per store: **2,000 sq. ft.**
Brands carried: **Apple, Compaq, Digital, IBM**
1983 computer volume (projected): **$13,500,000**
1983 volume (projected) in: Hardware: **$10,000,000 (+25% from 1982)**
Software: **$6,000,000**
Peripherals: **$3,000,000 (+200%)**
1984 volume (predicted) in: Hardware: **$25,000,000 (+150% from 1983)**
Software: **$6,000,000**
Peripherals: **$8,000,000 (+100%)**
Gross profit margin on: Hardware: **28%**
Software: **40%**
Peripherals: **25%**
Portion of computer sales done in: First quarter: **20%**
Second quarter: **20%**
Third quarter: **20%**
Fourth quarter: **40%**
Portion of computer sales made in "packages": **10%**
Software volume breakdown: Entertainment: **5%**
Education: **10%**
Home management: **10%**
Business/other: **75%**
How software is purchased: From publishers: **75%**
From national distributors: **25%**